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OTHER MATTERS

Implications for the United Nations Development Programme, in particular for the Office for Project Services, of recent decisions on administrative reform of the United Nations Secretariat

Report of the Administrator

INTRODUCTION

1. In its decision 93/7 of 18 February 1993, the Governing Council requested the President of the Council to bring to the attention of the General Assembly and, as appropriate, to the Fifth Committee, some issues and concerns pertaining to the Secretary-General's intention to establish the Office for Project Services (OPS) as a distinct, semi-autonomous entity located in the new Department for Development Support and Management Services (DDSMS). The present document, in addition to the report of the OPS task force, is intended to clarify issues of concern to the Council and to suggest how the Council will continue to play a strong role as the restructuring process continues.

2. In its resolution 47/212 B of 6 May 1993, the General Assembly endorsed the United Nations programme budget revised estimates (A/C.5/47/88), including the Secretary-General's proposal concerning OPS. An OPS task force - chaired by the Under-Secretary-General for the Department for Development Support and Management Services and including representatives of OPS, the Executive Office of the Secretary-General, the United Nations Department of Administration and Management and the United Nations Office of Legal Affairs - was established for the purpose of reviewing the procedures to be put in place for the transfer of OPS, in light of a number of conditions enumerated in the budget estimates document that relate to the preservation and strengthening of the operational efficiency of OPS.

3. The task force and its working groups in the areas of personnel, finance, procurement and governance met over the past several months to study modalities for the proposed move, concluding its work with a report submitted to and

approved by the Secretary-General (see note by the Secretary-General submitting the report of the task force, DP/1993/70).

I. CENTRAL RECOMMENDATIONS OF THE OPS TASK FORCE

4. Two primary concerns of UNDP in the establishment of modalities for the transfer of OPS were (a) ensuring the continued effectiveness of OPS as an implementing entity for the delivery of development assistance to recipient countries and (b) maintaining and strengthening UNDP's own role as the central funding and coordinating body. The central recommendations of the task force - to adopt rules and procedures for the new OPS that reflect its existing levels of delegation and efficiency, and to create an OPS Management Board to assist the Secretary-General in providing policy and management direction to the new OPS - take a large step towards answering the short- and longer-term concerns of the Governing Council.

5. The task force's clarification of the semi-autonomous status of OPS and the agreement on basic authorities through which OPS will function will help ensure the preservation of OPS flexibility and efficiency in the coming years. By retaining its "brand name" and its own, distinct mandate, OPS will be able to continue to provide its clients - developing countries, UNDP, development banks, bilateral donors, etc. - directly with impartial and cost-effective implementation services. The consensus of the members of the task force that rules and procedures for the new OPS - including delegations of authority - must be matched, if not enhanced, in its new setting has set the tone for the continuation of the OPS tradition of responsiveness and flexibility.

6. The creation of an OPS Management Board, chaired by the Under-Secretary-General for the Department for Development Support and Management Services and joined by the Administrator and the Under-Secretary-General of the Department of Administration and Management, both reinforces the semi-autonomous status of OPS and establishes a permanent management structure, guided by the Governing Council, to ensure that OPS adjusts and evolves over time to respond to changing needs in the delivery of development assistance.

7. With the relocation of OPS, the role of UNDP as the central funding and coordinating body becomes more focused, as noted in the task force report. This clear division of labour has implications in important areas such as Management Services Agreements (MSAs). UNDP has developed MSAs as an important aspect of its role as the central funding and coordinating body for operational activities. MSAs in this connection will normally be signed by UNDP with all aspects of implementation undertaken directly by OPS, as is the current practice.

II. CONCERNS OF THE GOVERNING COUNCIL

8. In its decision 93/7 of 19 February 1993, the Governing Council raised four specific areas of concern to the Council relating to the proposed move of OPS: (a) the continuing role of the Council in relation to OPS; (b) the need to maintain, as a minimum, the current degree of autonomy of OPS and to improve further its effectiveness and efficiency; (c) the financial, administrative and

personnel implications for the UNDP budget; and (d) the need to ensure to the maximum extent possible the delegation of authority to the Resident Coordinator for the implementation of OPS activities.

A. Continuing role of the Governing Council in relation to OPS

9. Under the governance arrangements agreed to in the task force and endorsed by UNDP, the Governing Council will play an essential role in providing policy guidance and direction for OPS. The Under-Secretary-General for the Department for Development Support and Management Services, in his role as Chairperson of the OPS Management Board and on behalf of the Secretary-General, will report on the operations of OPS to the Council and the Council will continue to review and approve the OPS biennial budget prior to its consideration by the General Assembly in the context of the United Nations programme budget.

10. By maintaining direct oversight of OPS, the Governing Council will continue to provide an important policy-level link between programming and funding on the one hand and operational and implementation activities on the other hand. The success of the new structure will rely on the Governing Council's continuing to balance and support the respective and mutually reinforcing roles of UNDP, the Resident Coordinators and OPS.

B. Maintaining the semi-autonomous status of OPS and improving its efficiency and effectiveness

11. As noted above, the establishment of an OPS Management Board with the clear task of ensuring the implementation of the distinct OPS mandate is important in maintaining the semi-autonomous status of OPS and further strengthening its capabilities. Furthermore, as noted in the task force report, the Board is entrusted with "ensuring the efficiency of the management, administrative and operational support provided by OPS to users of its services". In this context, it will be the role of the Board to implement fully the Secretary-General's proposal for the transfer of OPS, which includes meeting the conditions spelled out in the revised budget estimates document (A/C.5/47/88, paragraphs 102 (a)-102 (k)). Among these conditions are the prerequisites that existing degrees of delegation of authority to OPS be maintained, if not expanded, and that commitments should be made to pursue aggressively reforms to streamline OPS operations.

12. As the task force report reflects, movement towards meeting the minimum conditions set out for the transfer of OPS has progressed in relation to maintaining current levels of authority, delegation and efficiency at OPS and recommendations for potential enhancements. In the areas of personnel, finance and procurement, the OPS Management Board will be charged not only with securing the status quo as broadly presented in the task force report, but also with bringing greater efficiency and effectiveness to the operations of OPS. At the same time, the Board must aim at realizing, on the basis of the self-financing principle, the potential for economies of scale associated with the absorption into OPS of similar functions currently carried out in the Department of Economic and Social Development (DESD).

C. Financial, administrative and personnel implications

13. As noted in the statement of the Administrator to the Budgetary and Finance Committee on the revised budget estimates for the biennium 1992-1993 as well as in the task force report, it is proposed that the OPS budget continue to be submitted - in future by the Under-Secretary-General/Chairperson of the OPS Management Board - to the Budget and Finance Committee of the Governing Council. While this proposal is being considered, the 1994-1995 budget for OPS must nevertheless be submitted and hence is included in the overall UNDP budget submission.

14. In line with past practice, the Under-Secretary-General/Chairperson of the Board will present revised budget estimates on an annual basis in order to take account of the latest income projections. The absorption into OPS - within the framework of its self-financing status - of similar functions currently carried out by DESD will doubtless have an impact upon revised estimates submitted to the Governing Council at its forty-first session.

15. At the present stage of the restructuring process, UNDP does not foresee major implications for its own budget associated with the relocation of OPS. OPS has been a self-financing entity within UNDP and will continue to retain this status in its new structure. Eventually, through the examination of those issues that have been identified as requiring further work, some budgetary implications may arise and UNDP will seek the guidance of the Governing Council as appropriate.

16. One issue that will require further review relates to OPS resources to be carried forward from the 1992-1993 biennium to the 1994-1995 biennium. Maintaining the principle of a self-financing entity, OPS would be expected to be relocated with both its assets and its liabilities, bringing with it existing reserves in order to make necessary investments or meet future shortfalls.

17. Another important issue with potential budgetary implications relates to personnel. As the task force report states, efforts will be made to facilitate rotation of staff between OPS and UNDP. Within the framework of their respective budgets, UNDP and OPS are committed to this rotation policy.

18. In the area of central services that may be provided by UNDP to OPS, the agreement of the task force is that such services would be rendered on the basis of cost-effectiveness. During the transition period, UNDP may continue to provide central services to OPS as needed and will be reimbursed at an agreed-upon rate. Existing reimbursement arrangements presently finance a number of posts within UNDP proper; the eventual budgetary implications of any adjustments in the level of services provided by UNDP to OPS will be carefully monitored.

D. Delegation of authority to the Resident Coordinator for the implementation of OPS activities

19. In line with the conditions set forth in the Secretary-General's revised budget estimates for the transfer of OPS (see A/C.5/47/88), decentralization already begun in OPS - based on functions review and cost analysis - will continue in order to ensure that the operational management and services of the

new entity are as close to the beneficiaries/clients as effective performance allows. OPS presently delegates implementation functions in the areas of purchasing, personnel and contracting to the Resident Coordinator. The OPS decentralization strategy, under way since mid-1992, foresees further and significant delegation of implementation functions from OPS to the field level, including delegations to Resident Coordinators and field offices in the context of support to national execution. Naturally, such delegation is accompanied by reimbursement for services rendered. The current reimbursement arrangements and the method for calculation are detailed in the UNDP budget document (DP/1993/45, paragraphs 177-182).

III. RECOMMENDATION

20. The Administrator recommends that the Governing Council endorse the modalities for the transfer of OPS as set out in the report of the task force approved by the Secretary-General (see document DP/1993/70).